

LEGISLATIVE AUDIT COMMITTEE

MINUTES SUMMARY

November 7, 2008

Please note: These are summary minutes. The minutes are also accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Audit Division homepage at http://www.leg.mt.gov/audit/meeting_info.asp.

*To view the minutes, locate the meeting date and click on **Minutes**. To hear the audio recording, click on the date link at **Listen**. Note: You must have Real Player installed to listen to the audio recording.*

Members Present

Sen. Joe Balyeat
Sen. Greg Barkus
Sen. Steve Gallus
Sen. Dave Lewis
Sen. Lynda Moss
Sen. Mitch Tropila
Rep. Bill Beck
Rep. Bill Glaser
Rep. Betsy Hands

Members Excused

Rep. Hal Jacobson
Rep. John Sinrud
Rep. Bill Wilson

Staff Present

Tori Hunthausen, Legislative Auditor
Jim Gillett, Deputy Legislative Auditor
Monica Huyg, Legal Counsel
Becky Buckmaster, Administrative Support Manager

The Legislative Audit Committee met November 7, 2008, in Room 172 of the State Capitol. Chairman, Senator Joe Balyeat called the meeting to order at 8:18 a.m., noting the presence of a quorum.

00:15:45 **Potential Legislation – Monica Huyg, Legal Counsel** - No recommended legislation. Ms. Huyg acknowledged that HB86 from the last Legislative Session enacted changes to Audit Act and that she and the Committee Secretary would be working with the Committee to update the Committee Rules to be in compliance with the changes.

Minutes Approval – June 20, 2008 Minutes were approved. Motion by: Sen. Barkus, **motion carried**.

AUDIT REPORTS

MONTANA SCHOOL FOR THE DEAF AND BLIND, 08-22A (Financial-Compliance Audit)

00:18:15 **Report presented by:** Chris Darragh, Financial-Compliance Auditor

Present from the agency: *Montana School for the Deaf and Blind*
Steve Gettel, Superintendent
Bill Sykes, Business Manager

Agency response presented by: Bill Sykes, Business Manager

Handouts: None

Concerns/Discussion topics: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Lewis, **motion carried.**

00:22:05 **Performance Audit Priority List** – The Legislative Auditor, Tori Hunthausen, summarized the ranking by the Audit Committee of the Performance Audit prioritization list.

BOARD OF PUBLIC EDUCATION, 08-22B (Financial-Compliance Audit)

00:24:54 **Report presented by:** David Brammer, Financial-Compliance Auditor

Present from the agency: *Board of Public Education*
Steve Meloy, Executive Secretary

Agency response presented by: Steve Meloy

Handouts: None

Concerns/Discussion topics: What constitutes a qualified report vs. and unqualified report; how BOE is distinguished from OPI in regard to mission and function; number of members on the Board and terms

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Gallus, **motion carried.**

**LOTTERY SECURITY AUDIT MEMORANDUM, 08DP-05
(INFORMATION SYSTEMS AUDIT)**

00:38:00 **Report presented by:** Dale Stout, Information Systems Auditor

Present from the agency: *Montana Lottery*
None present

Agency response presented by: None

Handouts: None

Concerns/Discussion topics: Two recommendations not implemented in the prior Lottery Security Audit; electronic requirements of security passwords on the Lottery system

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Moss, **motion carried.**

MONTANA HISTORICAL SOCIETY, 08-24 (FINANCIAL-COMPLIANCE AUDIT)

00:45:30 **Report presented by:** Jeane Carstensen-Garrett, Financial-Compliance Auditor

Present from the agency: *Montana Historical Society*
Richard Sims, Director
Denise King, Administrator, Centralized Services Division

Agency response presented by: Richard Sims

Handouts: None

Concerns/Discussion topics: Is the Historical Society required to return the overage of indirect cost recovery; use of volunteers; indirect cost and steps being taken to comply with Recommendation #1; technical skills requirements of a professional curator and accession process; museum site and mall site fund raising timeline.

Public Comment: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Rep. Hands, **motion carried.**

DEPARTMENT OF JUSTICE, 08-18 (FINANCIAL-COMPLIANCE AUDIT)

01:06:12 **Report presented by:** Jeane Carstensen-Garrett, Financial-Compliance Auditor

Present from the agency: *Department of Justice*
Mike McGrath, Attorney General
Larry Fasbender, Deputy Director
Katherine Dalton, Fiscal Bureau Chief, Central Services
Division

Agency response presented by: Director Fasbender, Attorney General McGrath

Handouts: Standard Operating Procedures, Consumer Settlement Advisory Council (Exhibit 1); CSAC, Settlements related to this year (Exhibit #2); Eligibility Criteria (Exhibit #3)

Concerns/Discussion topics: The report disclosure issue related to two state laws having identical language that require a transfer to the general fund, but does not define what excess is or a timeframe when the transfer should occur; funds to run the Consumer Affairs Program; creation of the Consumer Settlement Advisory Council.

Public Comment: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Sen. Moss, **motion carried.**

OFFICE OF THE SECRETARY OF STATE, 08-19 (FINANCIAL-COMPLIANCE AUDIT)

02:05:54 **Report presented by:** Geri Hoffman, Financial-Compliance Auditor

Present from the agency: *Office of the Secretary of State*
Ralph Peck, Chief Deputy/Chief of Staff
Christi Jacobsen, Fiscal Manager
Bowen Greenwood, Communications Director

Agency response presented by: Ralph Peck

Handouts: None

Concerns/Discussion topics: Buildup of funds for information technology systems upgrade and the office setting fees commensurate with current operating costs, or lowering fees to offset the excess of funds.

Public comment: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Sen. Moss, **motion carried.**

STATE AUDITOR'S OFFICE, 08-20 (FINANCIAL-COMPLIANCE AUDIT)

02:14:45 **Report presented by:** Melissa Soldano, Financial-Compliance Auditor

Present from the agency: *State Auditor's Office*

Janice VanRiper, Deputy State Auditor

Eileen Rose, Central Services Administrator

Jill Sark, Insure Montana Program Manager

Lynne Egan, Acting Deputy Securities Commissioner

Agency response presented by: Ms. VanRiper

Handouts: None

Concerns/Discussion topics: Excess leave allowed to carry-forward; the selection of members of the Insure Montana Board

Public Comments: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Gallus, **motion carried.**

OFFICE OF THE GOVERNOR & LIEUTENANT GOVERNOR, 08-23 (FINANCIAL-COMPLIANCE AUDIT)

02:32:35 **Report presented by:** Brenda Kedish, Financial-Compliance Auditor

Present from the agency: *Office of the Governor & Lieutenant Governor*

Bruce Nelson, Chief of Staff

Sheena Wilson, Deputy Chief of Staff

Mary Jo Murray, Administrator, Central Services Division

Carol Smith, Accountant, Central Services Division

Amy Sassano, Assistant Budget Director, Office of Budget & Program Planning

Agency response presented by: Bruce Nelson. Mr. Nelson requested Committee support of bill draft legislation from Department of Administration on exception for out of country lodging rates.

Handouts: None

Concerns/Discussion topics: Guidelines and accounting for loaned employees to the Governor's office; equipment purchased for tax policy and research function, which moved from Department of Revenue to the Governor's office; organization of the Interagency Committee for Change by Women (ICCW) and its relationship with the state of Montana

Committee requests: None

Public comments: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Moss, **motion carried.**

JUDICIAL BRANCH, 08-27 (FINANCIAL-COMPLIANCE AUDIT)

03:04:15 **Report presented by:** John Fine, Financial-Compliance Auditor

Present from the agency: *Montana Supreme Court*
Karla Gray, Chief Justice
Lois Menzies, Court Administrator
Becky Buska, Financial Services Director

Agency response presented by: Chief Justice Karla Gray

Handouts: None

Concerns/Discussion topics: Indirect cost recovery proposal and Branch not implementing 2002 Legislation, HB21, until 2009

Committee requests: Commitment that Branch will implement the proposal for indirect cost recovery as soon as possible. Chief Justice Gray agreed.

Public Comment: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Barkus, **motion carried.**

DEPARTMENT OF PUBLIC SERVICE REGULATION, 08-26 (FINANCIAL-COMPLIANCE AUDIT)

03:25:48 **Report presented by:** David Brammer, Financial-Compliance Auditor

Present from the agency: *Public Service Commission*
Greg Jergeson, Chairman, Public Service Commission
Wayne Budt, Administrator, Transportation & Centralized
Services Division
Staci Litschauer, Financial Specialist
Sara Carlson, Public Information Specialist

Agency response presented by: Chairman Jergeson

Handouts: None

Concerns/Discussion topics: None

Public Comment: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Rep. Beck, **motion carried.**

PERFORMANCE AUDIT FOLLOW-UP BRIEFING

03:29:49 Presented by Lisa Blanford, Performance Auditor
Juvenile Delinquency Intervention Program, Dept. of Corrections, 08SP-35 (orig. 04P-13)
Pay Plan 20, the State's Alternative Pay Plan, Dept. of Administration, 08SP-19 (orig. 06P-06)
Oversight of Special Education Services, Office of Public Instruction, 09SP-04 (orig. 05P-01A)
Montana University System Research & Development, Office of the Commissioner of Higher Education, 08SP-22 (orig. 06P-05)
The Northern Rockies Consortium for Space Privatization, The University of Montana, 08SP-21 (orig. 06SP-34)

OTHER BUSINESS:

Next meeting date: December 17, 2008

Budget Request, 2010-11

DEPARTMENT OF CORRECTIONS, 08-25 (FINANCIAL-COMPLIANCE AUDIT)

05:35:26 **Report presented by:** Vickie Rauser, Financial-Compliance Auditor

Present from the agency: *Department of Corrections*
Mike Ferriter, Director
Rhonda Schaffer, Administrator, Administration and Financial Services Division
Kimberly Timm, Accounting Bureau Chief
Gary Hamel, Division Administrator, Health Planning, & Information Services Division
Gayle Lambert, Division Administrator, MT Correctional Enterprises
Diana Cook, Chief Legal Counsel

Agency response presented by: Director Ferriter

Handouts: None

Concerns/Discussion topics: Prerelease center overpayments contrary to terms of contracts; monitoring of sexual offenders; inadequate controls over prescription drug orders; Offender Management Information System (OMIS) system operational; prerelease center in Kalispell

provider selection; contract administration recommendations in current and previous five audits, and contract liaison qualification and training

Committee requests: 1) the department focus on less liaison positions and training for liaisons, 2) progress report concerning implementation of recommendations and Corrective Action Plan

Public comments: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Gallus, **motion carried.**

DEPARTMENT OF ENVIRONMENTAL QUALITY, 08-16 (FINANCIAL-COMPLIANCE AUDIT)

06:41:47 **Report presented by:** Cindy Jorgenson, Financial-Compliance Auditor

Present from the agency: *Department of Environmental Quality*
Richard Oppen, Director
Tom Livers, Deputy Director
Dean Rude, Chief Financial Officer
Dave Hamer, Accounting Manager, Financial Services

Agency response presented by: Dean Rude

Handouts: None

Concerns/Discussion topics: None

Committee requests: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Rep. Hands, **motion carried.**

DEPARTMENT OF MILITARY AFFAIRS, 08-25 (FINANCIAL-COMPLIANCE AUDIT)

06:45:05 **Report presented by:** Laura Toeckes, Financial-Compliance Auditor

Present from the agency: *Department of Military Affairs*
General Brad Livingston, Chief of Joint Staff
Karen Revious, Administrator, Centralized Services Division
Steve Knecht, Deputy Administrator, Disaster and Emergency Services Division
Peter Schaefer, Budget Analyst, Central Services Division

Agency response presented by: General Brad Livingston

Handouts: None

Concerns/Discussion topics: Homeland Security Funds and noncompliance in allocating funds; how funds are released and future plans to meet deadlines; Grants and allocation of funds

Committee requests: None

Public Comment: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Moss, **motion carried.**

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION, 08-17 (FINANCIAL-COMPLIANCE AUDIT)

07:07:50 **Report presented by:** Alexa O'Dell, Financial-Compliance Auditor
Ms. O'Dell directed the Committee to two errors in the printed report: 1) page 10, paragraph 2 indicates there are five recommendations related to control issues, should state, "The next **four** recommendations; 2) page 26, paragraph 1 should "In June **2008.**"

Present from the agency: *Department of Natural Resources & Conservation*
Joe Lamson, Deputy Director
Ann Bauchman, Administrator, Centralized Services Division
Tom Schultz, Administrator, Trust Land Management Division
Theresa Schultz, Fiscal Bureau Chief
Connie Daruk, Budget Analyst, Trust Land Management Division
Mike Kopitzke, Southwest Area Fire Manager

Agency response presented by: Ann Bauchman

Handouts: None

Concerns/Discussion topics: Disclosure issue: back rents for land use prior to 2007, may be in violation of Constitution of the State of Montana; two audit recommendations not implemented in the previous audit report; proposed legislation to manage trust lands administration

Committee requests: Corrective Action Plan and progress report at future Audit Committee meeting

Public Comment: None

Actions taken: None

Motion: Report received, reviewed, filed, and copies distributed in accordance with law.
Motion by: Sen. Gallus, **motion carried.**

The next meeting of the Legislative Audit Committee will be scheduled for December 17.

There being no further business, the meeting was adjourned at 3:35 p.m.

Signed: /s/ Sen. Joe Balyeat
 Sen. Joe Balyeat, Chair